

**Referee's Report on MS 288**  
**"How Persistent are International Capital Flows?"**

**Summary:** The author applies two different statistical tests to determining whether different types of capital flows exhibit different degrees of persistence: a probit model based on binary indicator variables of whether the series are in surplus or deficit, and; a nonparametric estimator based on the number of crossings from surplus to deficit and vice versa.

**General comments:**

This is an important issue. And I believe these results are new. But it is hard to tell because I have little feeling for how these results – either the probit or nonparametric – should modify the views one has from previous studies, including for instance Claessens, Dooley and Warner (1995), one of the earliest studies comparing flow persistence, as well as Chuhan et al. (1996).

The author acknowledges the fact that we have little feeling for the small sample characteristics of the nonparametric test. It seems to me rather than merely tabulating the results, and admitting the failings, some sort of check should have been undertaken (a simulation of some sort, perhaps).

As a consequence, the analysis has a somewhat mechanical feel to it. This deficiency can be remedied by more closely linking the findings to the literature. For instance, do the results confirm the conventional wisdom that FDI is more persistent? I think it does, but it's not stated explicitly and clearly in the introduction or conclusion.

**Minor comment:**

The entire manuscript needs a once over for language.

**References**

Chuhan, Punam & Perez-Quiros, Gabriel & Popper, Helen, 1996. "International capital flows : do short-term investment and direct investment differ?," Policy Research Working Paper Series 1669, The World Bank.

Claessens, Stijn & Dooley, Michael P & Warner, Andrew, 1995. "Portfolio Capital Flows: Hot or Cold?," World Bank Economic Review, Oxford University Press, vol. 9(1), pages 153-74, January.